



*Michael C. Schlachter, CFA
Managing Director and Principal*

November 1, 2010

Dr. Louis Moret
Chair, Investment Policy Subcommittee
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Policy Revisions for Internally Managed Global Enhanced Equity Strategies

Dear Dr. Moret:

You requested Wilshire's opinion with respect to the proposed revisions to the Statement of Investment Policy for the Internally Managed Global Enhanced Equity Strategies.

Recommendation

Wilshire recommends that the Policy Subcommittee adopt the revised policies as presented.

Background

The policy changes presented by Staff accomplishes two goals –

First, the policy sets an upper limit on the total size of the portfolio relative to Global Equities, which we believe is generally consistent with the original proposal. As we recall, the original proposal was for a maximum size of \$5 billion. The policy revision is for the investible amount to change to 5% of Global Equities. At current values, that is roughly the same amount and will provide for a smaller portfolio if equity markets fall or if the asset allocation review results in a far lower allocation to equities.

Second, the policy adds references to the proposed Low Liquidity Enhanced Return policy, about which we have submitted a separate opinion letter for this meeting. These changes in references do not make a material difference to the policy or its impact on the portfolio.

Should you require anything further or have any questions, please do not hesitate to contact us.

Policy Revisions for Internally Managed Global Enhanced Equity Strategies
November 1, 2010
Page 2

Sincerely,

A handwritten signature in black ink, appearing to read "Michael P. ...", with a long horizontal flourish extending to the right.